

Firefighters' Pension Scheme Options Exercise

Report of the Chief Fire Officer

For further information about this report please contact Louise McKenzie, Assistant Chief Officer, on 01743 260280 or Alan Taylor, Chief Fire Officer, on 01743 260201.

1 Purpose of Report

This report updates Members of the Committee on the recent communication and activity of staff regarding the Firefighters' Pension Scheme.

2 Recommendations

That the Committee note the contents of the report.

3 Background

On 6 April 2006 the new Firefighters' Pension Scheme came into force for all new staff conditioned to the Grey Book commencing employment from that date.

On 20 December 2006 Firefighters' Pension Scheme Circular 13/2006 (attached as an appendix) was issued, instructing all Fire and Rescue Authorities to commence an options exercise with staff in January 2007. This exercise had originally been expected to occur in October 2006 but was nationally delayed.

4 The Options Exercise

The purpose of the exercise is to provide all current serving operational (Grey Book) staff, regardless of which, if any, occupational scheme they currently belong to, with detailed information about:

- Their current entitlements under their current pension arrangement, if they are members of the old scheme, the Firemen's Pension Scheme, which closed to new applicants on 5 April 2006;



- Their potential entitlements under the new Firefighters' Pension Scheme, including conversion of benefits already accrued under the previous scheme.

The circular states that:

The special transfer terms which will be available to members of the FPS (Firemen's Pension Scheme) transferring to the NFPS (new Firefighters' Pension Scheme) will only apply in that period and will not be available for any person who applies for a transfer after 31st March. Normal transfer terms will then apply.

This information is provided to staff to give them the opportunity to make an informed choice as to whether or not to switch to the new Firefighters' Pension Scheme.

All relevant employees of Shropshire and Wrekin Fire Authority were issued with an 'options pack' in January 2007 and all staff are required to respond to us to indicate whether or not they wish to transfer to the new scheme. The options exercise will end on 31 March 2007. The issuing of the options packs has generated a considerable volume of work for the Human Resources Department.

Members should note that a response, either positive or negative, must be received from all eligible staff to protect the Scheme from future claims. This will cause considerable work for the Human Resources Department in ensuring that all returns have been received.

5 Financial Implications

The financial aspects of the changes in the Pension Scheme have been fully consulted by Communities and Local Government with Fire and Rescue Authorities prior to the implementation on 6 April 2006.

The financial impact on the Fire Authority is caused by:

- i Existing members switching to the new scheme. This will result in a reduction in the Authority's employer contribution from 21.3% to 11%.
- ii Staff taking up the opportunity to join the new scheme from 1 April 2006. This is an entirely new cost to the Authority and provision has been made in the 2006/07 and 2007/08 budgets for about a quarter of staff to take up the option and thereby require the employer contribution of 11%. The results of this Options Exercise will indicate whether the provision is sufficient.

6 Legal Comment

The Firefighters' Pension Scheme (England) Order 2006 came into force on 25 January 2007 but has retrospective effect from 6 April 2006. This changes



the pension arrangements in respect of regular (wholetime) and retained firefighters. The Fire Authority must comply with the Firefighters' Pension Scheme (England) Order 2006 and have regard to any circulars and guidance subsequently issued.

7 Equality Impact Assessment

The Options Exercise and the new Firefighters' Pension Scheme are national initiatives and their implementation is statutory rather than discretionary. Officers have, therefore, considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

8 Appendix

Firefighters' Pension Scheme Circular 13/2006

9 Background Papers

The Firefighters' Pension Scheme (England) Order 2006

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	*
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*





Firefighters' Pension Scheme Circular

Circular Number:	FPSC 13/2006	Date Issued:	20 December 2006
Action:	For guidance		
Title:	<i>NEW FIREFIGHTERS' PENSION SCHEME - Options Exercise</i>		
Issued by:	Martin Hill Local Government and Firefighters' Pensions Division		

Summary:	Guidance on the management of the exercise which will give members of the Firefighters' Pension Scheme (FPS) the option to transfer to the New Firefighters' Pension Scheme (NFPS) and firefighters who undertake retained duties the option to join the NFPS.
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Addressed to:	Please Forward to:
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Enquiries:

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New Firefighters' Pension Scheme

Martin Hill

Firefighters' Pension Scheme Order 1992 and Compensation Scheme

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1. NEW FIREFIGHTERS' PENSION SCHEME

- 1.1. The New Firefighters' Pension Scheme (England) Order 2006 has now been submitted to Ministers and it is expected that it will be made and laid before Parliament before the 22nd December and will come into effect before the end of the second week in January.
- 1.2. This means that the Options Exercise will be able to run from the beginning of January as planned.

2. CONDUCT OF THE OPTIONS EXERCISE

- 2.1. The conduct of the exercise has been discussed with representatives of fire and rescue authorities at a series of workshops in November 2006. As was explained there are five groups of employees who are affected by the exercise:
 - Group A: Regular firefighters appointed before 6th April 2006, who are members of the Firefighters' Pension Scheme 1992 (FPS), and will have the option to remain a member of the FPS or join the NFPS with effect from 6th April. If a member decides to join the NFPS he can transfer service accrued in the FPS into the NFPS; or take deferred benefits in the FPS and join the NFPS for future service only;
 - Group B: Regular firefighters appointed on or after 6th April 2006, who will be officially members of the NFPS from the first day of service but will have the opportunity to opt out;
 - Group C: Retained firefighters appointed before 6th April 2006, who will have the option to join the NFPS with effect from 6th April if they pay arrears of contributions, or otherwise with effect from a later date;
 - Group D: Retained firefighters appointed on or after 6th April 2006, who will have automatic membership either from the date of appointment if they pay arrears of contributions, or otherwise with effect from a future date. They will have the opportunity to opt out; and
 - Group E: Firefighters who had opted out of the FPS and may wish to elect to join the NFPS.

- 2.2 The Department has prepared the documentation necessary to enable the Options Exercise to take place, in consultation with representatives from fire and rescue authorities, the FBU and the Fire Officers' Association. The documentation is set out in Annex 1.
- 2.3 Copies of the documents have been placed on the firepensions website and may be accessed at:
<http://www.communities.gov.uk/index.asp?id=1164954>
- 2.4 We are expecting the options exercise to run from the beginning of January and it will end on 31st March 2007. The special transfer terms which will be available to members of the FPS transferring to the NFPS will only apply in that period and will not be available for any person who applies for a transfer after 31st March. Normal transfer terms will then apply.
- 2.5 The information packs should accordingly be distributed as early as convenient after 1st January.
- 2.6 Authorities should ensure that option packs, and any reminders, are sent to staff who are absent on leave, sick leave, maternity, adoption or paternity leave, secondment, training or for any other reason.

3. KEY ISSUES

Transfer Factors

- 3.1 The following factors have been agreed should apply during the period to 31st March 2007 (see paragraphs 2 and 3 of Schedule 2 (Transitional arrangements) of the draft Firefighters' Pension Scheme (England) Order 2006):

Age at entry	Up to age 55	age 56	age 57	age 58	age 59	age 60
25 and below	140%	139%	138%	136%	135%	133%
26	138%	139%	138%	136%	135%	133%
27	136%	137%	138%	136%	135%	133%
28	133%	135%	136%	136%	135%	133%
29	130%	132%	133%	134%	135%	133%
30	127%	129%	130%	132%	133%	133%
31	124%	126%	128%	129%	130%	131%
32	120%	123%	125%	126%	127%	129%
33	116%	119%	121%	123%	125%	126%
34	112%	115%	118%	120%	122%	123%
35	107%	111%	114%	116%	118%	120%
36	107%	106%	109%	112%	115%	117%
37	107%	106%	105%	108%	111%	113%
38	107%	106%	105%	103%	106%	109%
39	107%	106%	105%	103%	102%	105%
40 and above	107%	106%	105%	103%	102%	100%

These factors recognise the fact that a member of the FPS who opts to transfer to the NFPS is expecting to work on to 60 rather than take pension between 50 and 55. For those at age 55 or over at 6th April 2006, the factors taper out the additional benefits.

- 3.2. A table setting out an exemplification of the factors is appended.

Limits on benefits

- 3.3. The benefits which may be transferred where notification of intention has been given on or before 31st March 2007, plus prospective service may not exceed 45 years by the time the person reaches age 60 under the provisions of paragraph 2(4) of Schedule 2 to the draft Order. In such circumstances, the person may take deferred benefits in the FPS, which would be payable at age 60, and join the NFPS for future service.

Eligibility for membership of the NFPS

- 3.4. Whilst members of the FPS may transfer to the NFPS whatever their role at the time of transfer, eligibility to join the new scheme for those taking up employment on or after 6th April 2006 is limited to those whose role on taking up employment as a firefighter includes:
- (i) resolving operational incidents,
 - (ii) leading and supporting others in the resolution of operational incidents.

This wording, which was discussed and agreed with the Firefighters' Pension Committee, is specifically designed to restrict membership to those whose role on joining the Fire and Rescue Service is that of firefighter, crew manager or watch manager. Any person who joins the Service in any more senior role is not eligible to join the NFPS. The LGPS would be the appropriate pension scheme for them to join.

EMPLOYMENT TRIBUNAL CLAIM

- 3.5. Whether or not a retained firefighter employed before 6th April opts to join the New Firefighters' Pension Scheme will not prejudice their position in regard to the outcome of the Employment Tribunal reconsideration of the case brought under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations and any option that might become available as a consequence of that reconsideration.

4. SUPPORT FROM DCLG DURING OPTIONS EXERCISE

- 4.1. As we have already made clear, we will provide advice and support to HR and pension administrators during the period of the exercise, in addition to the guidance and information which will be available on our website. Whilst we will respond to points raised with members of the team, addressed individually or to firepensions@communities.gsi.gov.uk, we would hope that use will be made of the Discussion Forum so that exchanges are given the widest possible circulation. The Forum can be accessed at <http://forum.communities.gov.uk/firepensionsimplementation>
- 4.2 To this end, we have introduced a second firefighters' pension topic relating to the 'options exercise' which will run to the end of March 2007, inviting HR and pension administrators **"to raise and discuss issues that arise when preparing for and during the options exercise"**.
- 4.3. The DCLG Forum is an open access site so that any comments posted on it can be read by anyone who accesses it; however, contributors to any of the discussion threads are required to register online and all comments that are submitted are read by moderators to ensure that they comply with the forum discussion rules before they are placed in the relevant discussion thread.
- 4.4. As previously advised, for firefighters' pension topics, we have decided that only HR and pension administrators should be able to comment. This means that when registering we expect contributors to provide relevant information about their position and contact details. Contributions when posted will not need to identify the person or their authority, this will be a matter for individual choice.

5. RECORDING/REPORTING

- 5.1. We recommend that authorities should keep records of actions taken in case of any questions being raised at a later stage by firefighters.
- 5.2. At the conclusion of the Options Exercise, we would be grateful to receive a report using the pro forma at Annex 2.

Martin Hill

**INFORMATION TO BE GIVEN TO FIREFIGHTERS WHEN
THE FIREFIGHTERS' PENSION SCHEME (ENGLAND) ORDER 2006
COMES INTO FORCE**

In the following notes:

"retained firefighter" means a retained duty system firefighter, a day-crewing firefighter while undertaking retained duties, or a volunteer firefighter;

"NFPS" means the New Firefighters' Pension Scheme (i.e. the 2006 Scheme);

"FPS" means the Firefighters' Pension Scheme (i.e. the 1992 Scheme).

"FCS" means the Firefighters' Compensation Scheme

Where an item is marked [FRA] it means that the document must be written and designed by the Fire and Rescue Authority.

Where an item is marked [DCLG] it means that the Department for Communities and Local Government have a version on their website available for FRAs to download and personalise - see <http://www.communities.gov.uk/index.asp?id=1164954>

1. **All regular firefighters appointed on or after the date the Scheme Order comes into force** should automatically be admitted to the NFPS unless they opt out before taking up their appointment.

With their letter of appointment they should be given a Pension "Starter's Pack" containing-

- a covering letter explaining –
 - automatic admission to the NFPS,
 - the right to opt out,
 - the right to transfer in pension rights from some other pension arrangement within 12 months of first becoming a member,
 - the cover for compensation and injury offered by the Firefighters' Compensation Scheme whether or not they choose to be a member of the NFPS [FRA]
- a copy of the Guide to the NFPS [DCLG]
- a copy of the Guide to the FCS [DCLG]
- an opting-out form [DCLG]
- a New Starter Form/Pensions History Form [FRA]

2. **All retained firefighters appointed on or after the date the Scheme Order comes into force** should automatically be admitted to the NFPS unless they opt out before taking up their appointment.

With their letter of appointment they should be given a Pension "Starter's Pack" containing-

- a covering letter explaining –
 - automatic admission to the NFPS,
 - the right to opt out,
 - the right to transfer in pension rights from some other pension arrangement within 12 months of first becoming a member,
 - the cover for compensation and injury offered by the Firefighters' Compensation Scheme whether or not they choose to be a member of the NFPS [FRA]
- a copy of the Guide to the NFPS [DCLG]
- a copy of the retained firefighters' supplement to the Guide [DCLG]
- a copy of the Guide to the FCS [DCLG]
- an opting-out form [DCLG]
- a New Starter Form/Pensions History Form [FRA]

3. **Those firefighters who are serving on the date the Scheme Order comes into force** must be contacted as part of the Options Exercise. They can be divided into 5 Groups for the Exercise –

GROUP A: Regular firefighters appointed before 6 April 2006 and who are members of the FPS on the date the order comes into force.

GROUP B: Regular firefighters appointed on or after 6 April 2006

GROUP C: Retained firefighters appointed before 6 April 2006

GROUP D: Retained firefighters appointed on or after 6 April 2006

GROUP E: Regular firefighters who before date the order comes into force had opted out of the FPS and who would be eligible to apply for membership of NFPS

Each member of Groups A to E must receive an Information Pack as follows:

GROUP A INFORMATION PACK

Front cover [DCLG]

Letter to firefighter [DCLG]

Acknowledgement and Decision Form [DCLG]

Guide to NFPS [DCLG]

Comparison Chart [DCLG]

Your Choice leaflet [DCLG]

Personalised statement (FPS to NFPS service credit on transfer) [FRA]

Explanation of personalised statement [DCLG]*

Death Grant Nomination Form [DCLG]

Nominated Partner Form [DCLG]

Pre-paid envelope [FRA]

*This leaflet has been prepared on the basis of the statement which will be produced by the Class-AX/Se system. It will require modification if you operate another system.

GROUP B INFORMATION PACK

Front cover [DCLG]

Letter to firefighter [DCLG]

Guide to NFPS [DCLG]

New Starter Form/Pensions History Form [FRA]

Death Grant Nomination Form [DCLG]

Nominated Partner Form [DCLG]

Opting-out Form [DCLG]

Pre-paid envelope [FRA]

GROUP C INFORMATION PACK

Front cover [DCLG]
Letter to firefighter [DCLG]
Acknowledgement and Decision Form [DCLG]
Guide to NFPS [DCLG]
Retained supplement to Guide to NFPS [DCLG]
New Starter Form/Pensions History Form [FRA]
Death Grant Nomination Form [DCLG]
Nominated Partner Form [DCLG]
Information about in-house Group Personal Pension (if relevant) [FRA]
Pre-paid envelope [FRA]

GROUP D INFORMATION PACK

Front cover [DCLG]
Letter to firefighter [DCLG]
Guide to NFPS [DCLG]
Retained supplement to Guide to NFPS [DCLG]
Opting-out Form [DCLG]
Backdating Form [DCLG]
New Starter Form/Pensions History Form [FRA]
Death Grant Nomination Form [DCLG]
Nominated Partner Form [DCLG]
Pre-paid envelope [FRA]

GROUP E INFORMATION PACK

Letter to firefighter having regard to NFPS Part 2 Rule 6 [FRA]
Guide to NFPS [DCLG]

OPTIONS EXERCISE: FIREFIGHTERS' PENSION SCHEMES

Please complete at the end of the Options Exercise with relevant numbers and return by 30th April 2007 to
 Martin Hill, Firefighters' Pension Team, LGFPS Division, 2/F5, Ashdown House, 123 Victoria Street, London
 SW1E 6DE or e-mail to martin.hill@communities.gsi.gov.uk

[Complete]..... **Fire and Rescue Authority**

1. How many option packs were issued in each Group A to E?

A	B	C	D	E

2. How many responses were received in each Group A to E?

A	B	C	D	E

3. How many firefighters in Group A elected to transfer to the NFPS? What did they do with service accrued in the NFPS?

	Age 18 to 29	Age 30 to 39	Age 40 to 49	Age 50 or over
Took deferred benefits in FPS				
Transferred to NFPS				

4. How many firefighters in Groups B and D opted out of the NFPS?

	Age 18 to 29	Age 30 to 39	Age 40 to 49	Age 50 or over
Group B				
Group D				

5. How many firefighters in Groups C and E opted to join the NFPS?

	Age 18 to 29	Age 30 to 39	Age 40 to 49	Age 50 or over
Group C				
Group E				

SignedDate
.....

Name and post

Contact address
.....

Contact telephone number
.....